

Message Text

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TREASURY

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EUR/CE:JHURLEY
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TO AMEMBASSY VIENNA PRIORITY
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FOR USOECD, ALSO FOR USEEC

E.O. 11652: N/A

TAGS: ETRD, ECON

SUBJECT: EXPORT CREDITS: NEW INTERNATIONAL ARRANGEMENT
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REF: VIENNA 1984

1. APPRECIATE AND WELCOME EMBASSY'S INITIATIVE IN RAISING
ISSUE OF AUSTRIAN ADHERENCE TO NEW INTERNATIONAL
ARRANGEMENT ON EXPORT CREDITS.

2. APPARENT AUSTRIAN RELUCTANCE TO PARTICIPATE IN NEW

ARRANGEMENT APPEARS TO STEM FROM DESIRE TO OBTAIN COMPETITIVE ADVANTAGE OVER OTHER PARTICIPANTS BY REQUIRING LESS THAN 15 CASH PAYMENT ON CREDITS TO EASTERN EUROPEAN MARKETS. THIS IS AN ILLUSORY ADVANTAGE SINCE PARTICIPANTS WILL MATCH AUSTRIAN TERMS IF THEY WANT TO COMPETE FOR THE BUSINESS.

3. AS FOLLOW-UP TO REFTEL APPROACH, EMBASSY REQUESTED MAKE FORMAL DEMARCHE AT HIGH LEVEL TO EMPHASIZE TO AUSTRIAN GOVERNMENT THAT CONTINUED REFUSAL TO PARTICIPATE IN INTERNATIONAL ARRANGEMENT CONSTITUTES A LACK OF COOPERATIVENESS WHICH IS INIMICABLE TO THE SPIRIT OF COOPERATION THAT IS THE BASIC RAISON D'ETRE OF THE OECD.

4. PARTICIPANTS AT RECENTLY CONCLUDED NEGOTIATIONS ON NEW ARRANGEMENT HAD CHARGED BELGIAN CHAIRMAN, MR. MORLEGHEM, TO PRESS AUSTRIANS (AND NEW ZEALANDERS) TO BECOME PARTICIPANTS. WE BELIEVE THAT FORMAL REPRESENTATION BY USG IS ALSO WARRANTED TO AVOID THE DANGER OF UNRAVELING OF THE ARRANGEMENT BY A CONTINUING SERIES OF DEROGATIONS TO MATCH AUSTRIAN TERMS. FYI. WE ARE ALSO ASKING THE EC COMMISSION TO MAKE FORMAL REPRESENTATIONS TO GOA ON THIS MATTER. END FYI.

5. EMBASSY REPRESENTATION SHOULD BE ALONG FOLLOWING LIMITED OFFICIAL USE

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LINE:

A. 20 OECD COUNTRIES HAVE REACHED AD REFERENDUM AGREEMENT ON A NEW INTERNATIONAL ARRANGEMENT ON GUIDELINES FOR OFFICIALLY SUPPORTED EXPORT CREDITS. THIS ARRANGEMENT WILL COME INTO FORCE ON APRIL 1, 1978 AND WILL SUCCEED THE PRESENT CONSENSUS GUIDELINES WHICH THE 20 GOVERNMENTS ARE NOW OBSERVING. -

B. ARRANGEMENT CULMINATES MANY MONTHS OF DISCUSSION, NEGOTIATION AND COMPROMISE DESIGNED TO MINIMIZE THE DANGER OF AN EXPORT CREDIT RACE.

C. THE FAILURE OF AUSTRIA, AN IMPORTANT TRADING COUNTRY AND A MEMBER STATE OF THE OECD, TO PARTICIPATE IN THE ARRANGEMENT IS A MATTER OF CONCERN. THE ABSENCE OF AGREEMENT THAT THE AUSTRIAN EXPORT CREDIT AGENCY WILL FOLLOW THE GUIDELINES OF THE ARRANGEMENT CAN ONLY LEAD THE OTHER PARTICIPANTS IN THE ARRANGEMENT TO DEROGATE FROM THE TERMS OF THE ARRANGEMENT TO MATCH THE TERMS OFFERED BY THE AUSTRIAN EXPORT CREDIT AGENCY. SUCH A CONTINUING SERIES OF DEROGATIONS UNDERMINES THE DISCIPLINE OF THE ARRANGEMENT.

D. THE ARRANGEMENT IS AN IMPROVEMENT OVER THE PRESENT CONSENSUS MAINLY IN TERMS OF ITS PROCEDURAL ASPECTS. SUBSTANTIVELY, THE TERMS OF THE CONSENSUS ARE CARRIED FORWARD WITHOUT MAJOR CHANGES. THE STRENGTHENED PROCEDURAL ASPECTS PROVIDE FOR GREATER TRANSPARENCY IN THE OPERATIONS OF OFFICIAL EXPORT CREDIT AGENCIES. THUS, EACH EXPORT CREDIT AGENCY OPERATES WITH THE KNOWLEDGE OF THE TERMS THAT OTHER EXPORT CREDIT AGENCIES ARE OFFERING SO THAT THE PROVISION OF OFFICIAL EXPORT CREDIT SERVES TO FACILITATE INTERNATIONAL TRADE RATHER THAN BECOME THE ELEMENT WHICH DETERMINES THE SOURCE OF PROCUREMENT.

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E. THE USG URGES THE GOA, IN THE SPIRIT OF COOPERATION WHICH MOTIVATES ALL OECD GOVERNMENTS, TO JOIN WITH THE OTHER PARTICIPANTS IN IMPLEMENTING THE TERMS OF THE ARRANGEMENT ON APRIL 1, 1978 OR AS SOON THEREAFTER AS IS FEASIBLE.

6. REQUEST AN EARLY REPORT ON THE REACTION TO THE EMBASSY'S REPRESENTATIONS. VANCE

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